

# IS THE WEEK OF NOVEMBER 5-12 THE TOP?

## WEB BUZZ 2010.11.29

Ever since the end of August, Wall Street has gone on a tear to buy anything that might be considered a hedge against inflation. This is the case despite the fact that the economy is operating way under capacity (plant, labor, and otherwise) and despite the fact that all sectors of the economy are paying down debt except the federal government. One could go on and on. The only thing they have to hang their hat on is the monetary policy of the Federal Reserve, which continues to fight the possibility of deflation. The belief in the omniscience of this independent agency seems irrepressible.

The facts are that the winds of deflation are so strong that God Himself might have a difficult time stemming the tide. In time, the market will figure it out.

Where is the inflation?

**CHART 1: CONSUMER INFLATION CLOSE TO DEFLATING**

United States: Federal Reserve Bank of Cleveland Trimmed Mean CPI  
(12-month percent change, seasonally adjusted)



Shaded region represent periods of U.S. recession

Source: Haver Analytics, Gluskin Sheff

Adapted from Gluskin Sheff

Please note the charts below taken from the Elliot Wave Theorist, which we subscribe to. One can never be sure of any short term move in any market; however, it does seem that the 2.5 month “risk on trade” is coming to a close.

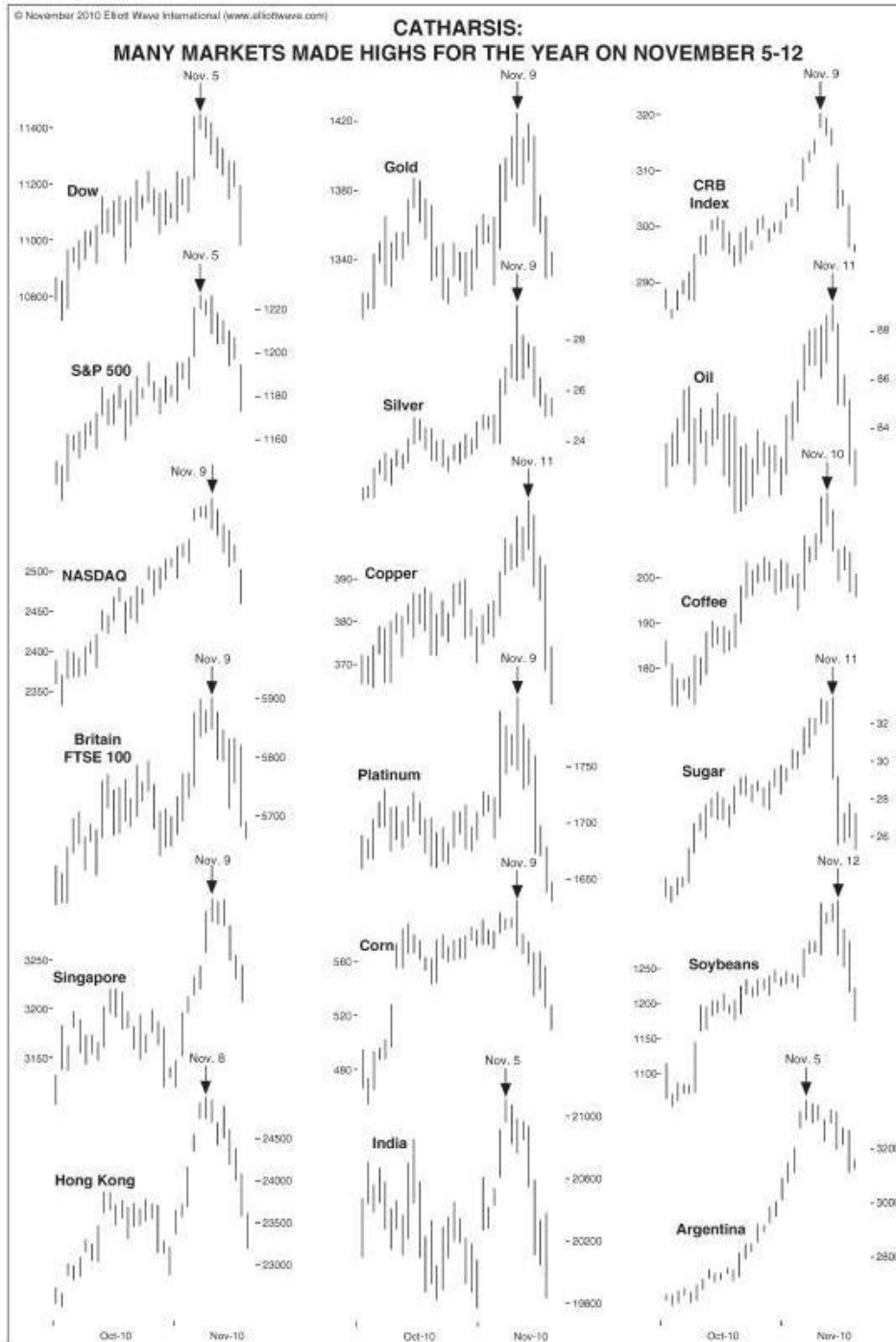


Figure 9

Adapted from Elliot Wave Theorist